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Unum Group Reports Second Quarter 2017 Results

CHATTANOOGA, Tenn. (July 27, 2017) – Unum Group (NYSE: UNM) today reported net income of \$245.1 million (\$1.07 per diluted common share) for the second quarter of 2017, compared to net income of \$236.8 million (\$1.00 per diluted common share) for the second quarter of 2016.

After-tax operating income, which excludes net after-tax realized investment gains and losses on the Company's investment portfolio, was \$240.4 million (\$1.05 per diluted common share) in the second quarter of 2017, compared to \$233.0 million (\$0.98 per diluted common share) in the second quarter of 2016. Net after-tax realized investment gains were \$4.7 million (\$0.02 per diluted common share) in the second quarter of 2017, compared to \$3.8 million (\$0.02 per diluted common share) in the second quarter of 2016.

"Our second quarter results were very strong, with a good balance of top line growth, solid earnings growth, and return of capital to shareholders," said Richard P. McKenney, president and chief executive officer. "The disciplined execution of our strategy in serving our customers continues to drive strong and consistent operating trends, highlighted by good sales and premium growth, stable benefits experience, and well-managed expenses."

RESULTS BY SEGMENT

We measure and analyze our segment performance on the basis of "operating income" or "operating loss", which differ from income before income tax as presented



in our consolidated statements of income due to the exclusion of net realized investment gains and losses and certain other items. These performance measures are in accordance with GAAP guidance for segment reporting, but they should not be viewed as a substitute for income before income tax or net income.

Unum US Segment

Unum US reported operating income of \$247.8 million in the second quarter of 2017, an increase of 9.1 percent from \$227.2 million in the second quarter of 2016. Premium income for the segment increased 4.5 percent to \$1,357.7 million in the second quarter of 2017, compared to premium income of \$1,299.4 million in the second quarter of 2016. Net investment income for the segment was \$205.6 million in the second quarter of 2017, compared to \$207.7 million in the second quarter of 2016.

Within the Unum US operating segment, the group disability line of business reported a 24.2 percent increase in operating income to \$92.4 million in the second quarter of 2017, compared to \$74.4 million in the second quarter of 2016. Premium income in group disability increased 1.2 percent to \$596.0 million in the second quarter of 2017, compared to \$589.1 million in the second quarter of 2016, primarily due to prior period sales growth, partially offset by a decline in persistency. Net investment income declined by 1.4 percent to \$118.1 million in the second quarter of 2017, compared to \$119.8 million in the second quarter of 2016, due to a decrease in the level of invested assets and a decline in portfolio yield, partially offset by higher miscellaneous income. The benefit ratio for the second quarter of 2017 was 76.5 percent, compared to 80.0 percent in the second quarter of 2016, reflecting lower claim incidence rates in our group long-term disability product line, lower prevalence rates in our group short-term disability product line, and the impact of rate increases on the in-force block for our group long-term disability product line. Partially offsetting these positive trends was the 50 basis point reduction in the discount rate used for new claim incurrals for the group long-term disability line of business implemented in the fourth quarter of 2016. Group long-term disability sales were \$47.5 million in the second quarter of 2017, compared to \$48.3 million in the second quarter of 2016. Group



short-term disability sales were \$27.4 million in the second quarter of 2017, compared to \$24.9 million in the second quarter of 2016.

Persistency in the group long-term disability line of business was 89.3 percent for the first half of 2017, compared to 90.3 percent for the first half of 2016. Persistency in the group short-term disability line of business was 85.7 percent for the first half of 2017, compared to 87.0 percent for the first half of 2016.

The group life and accidental death and dismemberment line of business reported operating income of \$60.9 million in the second quarter of 2017, an increase of 7.0 percent from \$56.9 million in the second quarter of 2016. Premium income for this line of business increased 4.4 percent to \$400.6 million in the second quarter of 2017, compared to \$383.6 million in the second quarter of 2016, primarily due to prior period sales growth, partially offset by a decline in persistency. Net investment income declined 3.8 percent to \$27.8 million in the second quarter of 2017, compared to \$28.9 million in the second quarter of 2016, primarily due to a decline in yield and a decline in the level of invested assets supporting this line of business, partially offset by an increase in miscellaneous income. The benefit ratio in the second quarter of 2017 was 70.6 percent, compared to 71.5 percent in the second quarter of 2016, reflecting a lower average claim size in the group life product line. Sales of group life and accidental death and dismemberment products increased 7.6 percent in the second quarter of 2017 to \$59.5 million, compared to \$55.3 million in the second quarter of 2016. Persistency in the group life line of business was 87.7 percent for the first half of 2017, compared to 90.0 percent for the first half of 2016.

The supplemental and voluntary line of business reported a decline of 1.5 percent in operating income to \$94.5 million in the second quarter of 2017, compared to \$95.9 million in the second quarter of 2016. Premium income for supplemental and voluntary increased 10.5 percent to \$361.1 million in the second quarter of 2017, compared to \$326.7 million in the second quarter of 2016. This increase was driven by the addition of the dental and vision product offering resulting from an acquisition in August 2016, as well as growth in the in-force block of individual disability



and voluntary benefits products due to sales growth. Somewhat offsetting this growth was the impact of a reinsurance transaction executed in the fourth quarter of 2016 to cede a portion of the individual disability product line. Net investment income increased slightly to \$59.7 million in the second quarter of 2017, compared to \$59.0 million in the second quarter of 2016, due to an increase in the level of invested assets and miscellaneous income, partially offset by a decline in yield. The benefit ratio for the individual disability product line was 51.2 percent for the second quarter of 2017, compared to 53.8 percent for the second quarter of 2016, reflecting lower new claims in the current quarter, partially offset by the impact of the reinsurance agreement. The benefit ratio for voluntary benefits was 43.4 percent in the second quarter of 2017, compared to 42.4 percent in the second quarter of 2016, primarily driven by less favorable benefits experience in the life product line. The benefit ratio for dental and vision was 72.3 percent for the second quarter of 2017. Relative to the second quarter of 2016, sales in the individual disability line of business declined 6.8 percent in the second quarter of 2017 to \$13.6 million. Sales in the voluntary benefits line of business increased 10.7 percent in the second quarter of 2017 to \$49.6 million. Sales in the dental and vision line totaled \$10.4 million for the second quarter of 2017. Persistency in the individual disability product line was 91.0 percent for the first half of 2017, compared to 91.3 percent for the first half of 2016. Persistency in the voluntary benefits product line was 76.2 percent for the first half of 2017, compared to 76.7 percent for the first half of 2016. Persistency in the dental and vision product line was 82.0 percent in the first half of 2017.

Unum UK Segment

Unum UK reported operating income of \$28.9 million in the second quarter of 2017, a decline of 21.7 percent from \$36.9 million in the second quarter of 2016. In local currency, operating income declined by 12.1 percent to £22.6 million in the second quarter of 2017, compared to £25.7 million in the second quarter of 2016.

Premium income declined by 9.9 percent to \$126.8 million in the second quarter of 2017, compared to \$140.8 million in the second quarter



of 2016. In local currency, premium income was £99.1 million in the second quarter of 2017, an increase of 1.0 percent from £98.1 million in the second quarter of 2016, primarily driven by growth in the group life and supplemental lines of business due to favorable persistency and sales growth, partially offset by lower persistency in the long-term disability product line. Net investment income was \$33.2 million in the second quarter of 2017, compared to \$34.0 million in the second quarter of 2016. In local currency, net investment income increased 9.7 percent to £26.0 million in the second quarter of 2017, compared to £23.7 million in the second quarter of 2016, primarily due to higher income from inflation index-linked bonds which support the claim reserves associated with certain group policies that provide inflation-linked increases in benefits and growth in the level of invested assets, partially offset by a decline in yield on fixed-rate bonds. The benefit ratio in the second quarter of 2017 was 75.6 percent, compared to 70.1 percent in the second quarter of 2016, reflecting the impact from inflation-linked increases in benefits and unfavorable claim resolutions, partially offset by favorable claims activity in the group life product line. Also contributing to the less favorable benefits experience was a reduction of 80 basis points in the discount rate implemented in the first quarter of 2017 across several of our products.

Sales increased by 9.6 percent to \$25.2 million in the second quarter of 2017, compared to \$23.0 million in the second quarter of 2016. In local currency, sales for the second quarter of 2017 increased by 23.8 percent to £19.8 million. Persistency in the group long-term disability line of business was 86.4 percent for the first half of 2017, compared to 87.8 percent for the first half of 2016. Persistency in the group life line of business was 80.8 percent for the first half of 2017, compared to 78.8 percent for the first half of 2016. Persistency in the supplemental line of business was 91.3 percent for the first half of 2017 compared to 89.4 percent for the first half of 2016.

Colonial Life Segment

Colonial Life reported a 5.0 percent increase in operating income to \$81.8 million in the second quarter of 2017, compared to \$77.9 million in the second quarter of 2016.



Premium income for the second quarter of 2017 increased 7.1 percent to \$376.3 million, compared to \$351.4 million in the second quarter of 2016, driven by sales growth in recent quarters and stable persistency. Net investment income increased 3.1 percent to \$36.7 million in the second quarter of 2017, compared to \$35.6 million in the second quarter of 2016. The benefit ratio in the second quarter of 2017 was 51.3 percent, compared to 51.1 percent in the second quarter of 2016, reflecting favorable benefits experience in the life and cancer and critical illness lines of business, which offset slightly less favorable experience in the accident, sickness, and disability line of business.

Sales increased 7.5 percent to \$116.6 million in the second quarter of 2017 from \$108.5 million in the second quarter of 2016, driven by strong sales trends in the core commercial market segment. Persistency in Colonial Life was 78.7 percent for the first half of 2017 compared to 78.5 percent for the first half of 2016.

Closed Block Segment

The Closed Block segment reported operating income of \$32.6 million in both the second quarters of 2017 and 2016.

Premium income for this segment declined 3.0 percent in the second quarter of 2017 compared to the second quarter of 2016, primarily due to expected policy terminations and maturities for the individual disability line of business which was partially offset by an increase in premium income for the long-term care line of business resulting from premium rate increases on certain in-force policies. Net investment income declined 0.3 percent to \$340.0 million in the second quarter of 2017, compared to \$341.1 million in the second quarter of 2016, due to a decline in yield and lower miscellaneous income, which was partially offset by an increase in the level of invested assets. The interest adjusted loss ratio for the individual disability line of business declined to 82.3 percent in the second quarter of 2017, compared to 84.3 percent in the second quarter of 2016, due to a prior period reduction in the claim reserve discount rate to recognize the impact on future portfolio yields from increased levels of bond tenders and calls. The interest adjusted loss ratio



for the long-term care line of business was 89.4 percent in the second quarter of 2017 compared to 92.6 percent in the second quarter of 2016, primarily driven by lower claims incidence.

Corporate Segment

The Corporate segment reported an operating loss of \$37.6 million for the second quarter of 2017, compared to an operating loss of \$39.7 million in the second quarter of 2016.

The Company previously excluded the amortization of prior period actuarial gains or losses, a component of the net periodic benefit cost for the Company's pension and other postretirement benefit plans, from the results of the Corporate segment. Effective January 1, 2017, the amortization of prior period actuarial gains or losses is now reported in the Corporate segment and amounts for prior periods have been adjusted to conform to current year reporting.

OTHER INFORMATION

Shares Outstanding

The Company's weighted average number of shares outstanding, assuming dilution, was 228.2 million for the second quarter of 2017, compared to 237.3 million for the second quarter of 2016. Shares outstanding totaled 226.1 million at June 30, 2017. During the second quarter of 2017, the Company repurchased approximately 2.2 million shares at a cost of approximately \$100 million.

Capital Management

At June 30, 2017, the weighted average risk-based capital ratio for the Company's traditional U.S. insurance companies was in excess of 395 percent and cash and marketable securities in the holding companies equaled \$757 million, excluding amounts committed for subsidiary contributions.

Book Value



Book value per common share as of June 30, 2017 was \$41.21, compared to \$38.96 at June 30, 2016.

Outlook

The Company's expectation for after-tax operating income growth per share for full-year 2017 is increased to be within a range of five percent to eight percent, from the previous range of three percent to six percent.

NON-GAAP FINANCIAL MEASURES

We analyze our performance using non-GAAP financial measures. A non-GAAP financial measure is a numerical measure of a company's performance, financial position, or cash flows that excludes or includes amounts that are not normally excluded or included in the most directly comparable measure calculated and presented in accordance with GAAP. The non-GAAP financial measure of "after-tax operating income" differs from net income as presented in our consolidated operating results and income statements prepared in accordance with GAAP due to the exclusion of net realized investment gains and losses as specified in the reconciliations in the Financial Highlights section below. We believe operating income is a better performance measure and better indicator of the profitability and underlying trends in our business.

Realized investment gains or losses depend on market conditions and do not necessarily relate to decisions regarding the underlying business of our segments. Our investment focus is on investment income to support our insurance liabilities as opposed to the generation of realized investment gains or losses. Although we may experience realized investment gains or losses which will affect future earnings levels, a long-term focus is necessary to maintain profitability over the life of the business since our underlying business is long-term in nature, and we need to earn the interest rates assumed in calculating our liabilities.

We previously excluded the amortization of prior period actuarial gains or losses, a component of the net periodic benefit cost for our pension and other postretirement benefit plans. Effective January 1, 2017, the amortization of prior period actuarial gains or losses is now included in "after-tax operating income" in the Financial Highlights section below. Amounts for periods prior to January, 1, 2017 have been adjusted to conform to current year reporting.



We may at other times exclude certain other items from our discussion of financial ratios and metrics in order to enhance the understanding and comparability of our operational performance and the underlying fundamentals, but this exclusion is not an indication that similar items may not recur and does not replace net income or net loss as a measure of our overall profitability.

Information reconciling the Company's outlook on after-tax operating income growth per share to the comparable GAAP financial measure is not provided. The only amounts excluded from after-tax operating income are those described in the preceding paragraphs. The Company is unable to predict with reasonable certainty realized investment gains and losses, which are affected by overall market conditions and also by factors such as an economic or political change in the country of the issuer, a regulatory change pertaining to the issuer's industry, a significant improvement or deterioration in the cash flows of the issuer, unforeseen accounting irregularities or fraud committed by an issuer, movement in credit spreads, ratings upgrades or downgrades, a change in the issuer's marketplace or business prospects, or any other event that significantly affects the issuers of the fixed maturity securities which the Company holds in its investment portfolio.

CONFERENCE CALL INFORMATION

Members of Unum Group senior management will host a conference call on Friday, July 28, at 8:00 a.m. (Eastern Time) to discuss the results of operations for the second quarter. Topics may include forward-looking information, such as the Company's outlook on future results, trends in operations, and other material information.

The dial-in number for the conference call is (888) 203-7337, for U.S. and Canada (pass code 6920872). For international, the dial-in number is (719) 457-2619 (pass code 6920872). A live webcast of the call will also be available at www.investors.unum.com in a listen-only mode. It is recommended that webcast viewers access the "Investors" section of the Company's website and opt-in to the webcast approximately 5-10 minutes prior to the start of the call. The Company will maintain a replay of the call on its website through Friday,



August 4. A replay of the call will also be available by dialing (888) 203-1112 (U.S. and Canada) or (719) 457-0820 (International) – pass code 6920872.

In conjunction with today's earnings announcement, the Company's Statistical Supplement for the second quarter of 2017 is available on the "Investors" section of the Company's website.

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ABOUT UNUM GROUP

Unum (www.unum.com) is one of the leading providers of employee benefits products and services and the largest provider of disability insurance products in the United States and the United Kingdom.

SAFE HARBOR STATEMENT

Certain information in this press release constitutes "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are those not based on historical information, but rather relate to our outlook, future operations, strategies, financial results, or other developments and speak only as of the date made. These forward-looking statements, including statements about anticipated growth in after-tax operating income per share, are subject to numerous assumptions, risks, and uncertainties, many of which are beyond our control. The following factors, in addition to other factors mentioned from time to time, may cause actual results to differ materially from those contemplated by the forward-looking statements: (1) sustained periods of low interest rates; (2) fluctuation in insurance reserve liabilities and claim payments due to changes in claim incidence, recovery rates, mortality and morbidity rates, and policy benefit offsets due to, among other factors, the rate of unemployment and consumer confidence, the emergence of new diseases, epidemics, or pandemics, new trends and developments in medical treatments, the effectiveness of our claims operational processes, and changes in government programs; (3) unfavorable economic or business conditions, both domestic and foreign; (4) legislative, regulatory, or tax changes, both domestic and foreign, including the effect of potential legislation and increased regulation in the current political environment; (5) investment results, including, but not limited to, changes in interest rates, defaults, changes in credit spreads, impairments, and the



lack of appropriate investments in the market which can be acquired to match our liabilities; (6) a cyber attack or other security breach could result in the unauthorized acquisition of confidential data; (7) the failure of our business recovery and incident management processes to resume our business operations in the event of a natural catastrophe, cyber attack, or other event; (8) increased competition from other insurers and financial services companies due to industry consolidation, new entrants to our markets, or other factors; (9) execution risk related to our technology needs; (10) changes in our financial strength and credit ratings; (11) damage to our reputation due to, among other factors, regulatory investigations, legal proceedings, external events, and/or inadequate or failed internal controls and procedures; (12) actual experience that deviates from our assumptions used in pricing, underwriting, and reserving; (13) actual persistency and/or sales growth that is higher or lower than projected; (14) changes in demand for our products due to, among other factors, changes in societal attitudes, the rate of unemployment, consumer confidence, and/or legislative and regulatory changes, including healthcare reform; (15) effectiveness of our risk management program; (16) contingencies and the level and results of litigation; (17) availability of reinsurance in the market and the ability of our reinsurers to meet their obligations to us; (18) ineffectiveness of our derivatives hedging programs due to changes in the economic environment, counterparty risk, ratings downgrades, capital market volatility, changes in interest rates, and/or regulation; (19) changes in accounting standards, practices, or policies; (20) fluctuation in foreign currency exchange rates; (21) ability to generate sufficient internal liquidity and/or obtain external financing; (22) recoverability and/or realization of the carrying value of our intangible assets, long-lived assets, and deferred tax assets; and (23) terrorism, both within the U.S. and abroad, ongoing military actions, and heightened security measures in response to these types of threats.

For further discussion of risks and uncertainties which could cause actual results to differ from those contained in the forward-looking statements, see Part 1, Item 1A "Risk Factors" of our annual report on Form 10-K for the year ended December 31, 2016, and, to the extent applicable, our subsequent quarterly reports on Form 10-Q. The forward-looking statements in this press release are being made as of the date of this press release, and the Company expressly disclaims any obligation to update or revise any forward-looking statement contained herein, even if made available on our website or otherwise.



Unum Group
FINANCIAL HIGHLIGHTS
(Unaudited)

(\$ in millions, except share data)

	Three Months Ended June 30		Six Months Ended June 30	
	2017	2016	2017	2016
Revenue				
Premium Income	\$ 2,142.2	\$ 2,081.6	\$ 4,285.1	\$ 4,169.1
Net Investment Income	620.5	623.3	1,222.9	1,229.7
Net Realized Investment Gain (Loss)	8.1	5.3	19.1	(15.2)
Other Income	51.2	51.1	101.4	103.1
Total Revenue	2,822.0	2,761.3	5,628.5	5,486.7
Benefits and Expenses				
Benefits and Change in Reserves for Future Benefits	1,752.0	1,733.5	3,501.0	3,463.3
Commissions	261.3	255.0	531.5	514.9
Interest and Debt Expense	39.9	42.4	79.7	81.0
Deferral of Acquisition Costs	(153.2)	(146.7)	(315.3)	(299.2)
Amortization of Deferred Acquisition Costs	138.3	126.2	279.8	258.4
Other Expenses	422.1	410.7	859.9	823.9
Total Benefits and Expenses	2,460.4	2,421.1	4,936.6	4,842.3
Income Before Income Tax	361.6	340.2	691.9	644.4
Income Tax	116.5	103.4	216.9	197.0
Net Income	\$ 245.1	\$ 236.8	\$ 475.0	\$ 447.4
PER SHARE INFORMATION				
Net Income Per Common Share				
Basic	\$ 1.08	\$ 1.00	\$ 2.08	\$ 1.88
Assuming Dilution	\$ 1.07	\$ 1.00	\$ 2.07	\$ 1.87
Weighted Average Common Shares - Basic (000s)	227,454.4	236,892.8	228,437.0	238,254.3
Weighted Average Common Shares - Assuming Dilution (000s)	228,178.7	237,318.8	229,273.8	238,622.8
Outstanding Shares - (000s)			226,102.1	235,011.3

Reconciliation of Non-GAAP Financial Measures

	Three Months Ended June 30			
	2017		2016	
	(in millions)	per share *	(in millions)	per share *
Net Income	\$ 245.1	\$ 1.07	\$ 236.8	\$ 1.00
Excluding:				
Net Realized Investment Gain (net of tax expense of \$3.4; \$1.5)	4.7	0.02	3.8	0.02
After-tax Operating Income	\$ 240.4	\$ 1.05	\$ 233.0	\$ 0.98

* Assuming Dilution

	June 30			
	2017		2016	
	(in millions)	per share	(in millions)	per share
Total Stockholders' Equity (Book Value)	\$ 9,316.6	\$ 41.21	\$ 9,157.0	\$ 38.96
Excluding:				
Net Unrealized Gain on Securities	558.2	2.47	661.1	2.81
Net Gain on Cash Flow Hedges	304.5	1.35	343.6	1.46
Subtotal	8,453.9	37.39	8,152.3	34.69
Excluding:				
Foreign Currency Translation Adjustment	(297.1)	(1.31)	(279.4)	(1.19)
Subtotal	8,751.0	38.70	8,431.7	35.88
Excluding:				
Unrecognized Pension and Postretirement Benefit Costs	(460.7)	(2.04)	(385.5)	(1.64)
Total Stockholders' Equity, Excluding Accumulated Other Comprehensive Income	\$ 9,211.7	\$ 40.74	\$ 8,817.2	\$ 37.52